

CITY OF BLOOMINGTON



Business Investment Incentive Fund

OFFICE OF THE MAYOR
CITY OF BLOOMINGTON
P.O. BOX 100
BLOOMINGTON, IN 47402
812.349.3406 PHONE
812.349.3455 FAX

CONTACT: Danise Alano
EMAIL: alanod@bloomington.in.gov
Assistant Director of Economic Development

I. PROGRAM DESCRIPTION

- A. Purpose:** The Business Investment Incentive Fund is a revolving loan fund created by the City of Bloomington to provide low interest loans to eligible businesses committed to improving the economic vitality of our community. The City of Bloomington offers this economic development tool to promote the retention, expansion, and attraction of a diverse business base. With certain exceptions, loan proceeds can be used for capital improvement projects and the purchase of eligible equipment.

II. ELIGIBILITY

- A. Geographical Limitations:** Only businesses within or contiguous to the City of Bloomington's corporate boundaries or within an "Area Intended for Annexation" (AIFA) are eligible to seek assistance from the Business Investment Incentive Loan Fund. The area must be properly zoned and have or plan to have access to adequate infrastructure, including water, sewer, roads, and telecommunications. If the business is located within the AIFA or contiguous to the City's corporate boundary and eligible for annexation, then the applicant (and the property owner, if different) must agree to voluntary annexation. If the applicant is ineligible for annexation at the time the loan is approved, then the property owner must sign and record a waiver of remonstrance against future annexation.

- B. Eligible Business Activities and Permissible Use of Funds:** As the fund is intended to support and promote a diverse economic base, the following eligible activities have been targeted as the primary beneficiaries of loan proceeds:

- 1. Business retention, expansion, attraction:** Any qualified business under these guidelines demonstrating a commitment to job growth, quality wages and benefits, and the overall economic vitality of the community is eligible to submit a loan application for permissible projects as identified by the guidelines. Eligible businesses range from basic manufacturing to high-tech service firms.

- a. Permissible uses of funds:** Loan proceeds shall be applied to qualified capital improvement costs associated with a qualified project including land acquisition; construction, expansion, or renovation of buildings; purchase of equipment; or infrastructure improvements.

- b. Evaluation criteria:** Certain factors shall be considered when evaluating any eligible loan application under this section. These factors shall include, but are not limited to, the following:

- 1) Strength of business plan or business proposal.
- 2) Projected new jobs to be created as a result of the project.
- 3) Overall projected impact on the economic vitality of the community.
- 4) Use of funds to leverage other sources of capital including venture, conventional, and grant funds.
- 5) Nature and extent of security/guarantees.
- 6) Credit history.

- 7) Expected tax base increases or decreases as a result of the project.
- 8) Any proposed tax abatements or other city/state sponsored incentives expected to be received for the proposed project.
- 9) Nature and extent of equity participation by principal owner(s).
- 10) Compatibility of façade projects and new construction in the Downtown Development Opportunity Overlay (DDOO) district with the historic character of downtown Bloomington. (Projects involving the demolition or removal of structures listed on the Local Historic register, or eligible for listing on the National Historic Register or that are contributing structures listed within a nationally or locally designated historic district will not be considered.)

- c. **Loan amounts:** Applicants seeking loan funds under this section for qualified projects are eligible to borrow funds where the total project cost is a minimum of \$250,000. The maximum loan amount is \$100,000 or 20% of the total project cost, whichever is less.

2. Businesses within the Downtown Development Opportunity Overlay district:

Any qualified for-profit or not-for-profit business owner and/or commercial property owner located within the City of Bloomington's *Downtown Development Opportunity Overlay (DDOO)* district demonstrating a commitment to the economic vitality of Bloomington's downtown is eligible to submit a loan application for permissible projects as identified by the guidelines.

- a. **Permissible uses of funds:** Loan proceeds shall be applied to qualified capital improvement costs associated with a qualified project including land acquisition; construction, expansion, or renovation of buildings; purchase of equipment; facade improvements; or infrastructure improvements.

- b. **Evaluation criteria:** Certain factors shall be considered when evaluating any eligible loan application under this section. These factors shall include, but are not limited to the following:

- 1) Strength of business plan or business proposal.
- 2) Overall projected impact on the economic vitality of the downtown.
- 3) Use of funds to leverage other sources of capital including venture, conventional, and grant funds.
- 4) Nature and extent of security/guarantees.
- 5) Credit history.
- 6) Expected tax base increases or decreases as a result of the project.
- 7) Any proposed tax abatements or other city/state sponsored incentives expected to be received for the proposed project.
- 8) Nature and extent of equity participation by principal owner(s).
- 9) If applicant is not owner of property/building then approval of said owner is required.
- 10) Compatibility of façade projects and new construction in the Downtown Development Opportunity Overlay (DDOO) district with the historic character of downtown Bloomington. (Projects involving the demolition or removal of structures listed on the Local Historic register, or eligible for listing on the National Historic Register or that are

contributing structures listed within a nationally or locally designated historic district will not be considered.)

- c. **Loan amount:** If the business is making an application under this section as a DDOO eligible business, the maximum loan amount is 50% of total project costs at or under \$100,000 and 20% of any remaining project costs over \$100,000 with total loan not to exceed \$100,000.
- d. **Non-profit grant initiative:** To encourage capital improvements to facilities owned and/or operated by eligible non-profit organizations within the DDOO district, eligible organizations may obtain matching grant funds for qualified projects. Eligible non-profit organizations are those within the DDOO district that have a retail or commercial activity as its primary purpose including, but not limited to, performance venues, galleries, and retail shops. The maximum matching grant is 50% of total qualified project costs with total grant not to exceed \$25,000. An eligible non-profit organization can only receive one grant disbursement every 5 years. Grant funds are in lieu of loan funds. An eligible non-profit cannot receive both a loan and a grant.

3. Business-supported child care facility: Any qualified business or consortium of businesses can apply for a loan to provide a child care facility for the children of employees of the business or consortium of businesses first and for the general public second. The facility must be at the business site or in near proximity.

- a. **Permissible uses of funds:** Loan proceeds may be applied to qualified capital improvement costs associated with a qualified project including land acquisition; construction, expansion, or renovation of buildings; purchase of child care equipment; or infrastructure improvements.
- b. **Evaluation criteria:** Certain factors shall be considered when evaluating any eligible loan application under this section. These factors shall include, but are not limited to the following:
 - 1) Strength of business plan or business proposal.
 - 2) Projected number of employees to be served by the facility.
 - 3) Projected number of general public, if any, to be served by the facility.
 - 4) Use of funds to leverage other sources of capital including conventional financing and grant funds.
 - 5) Collaboration with or impact on existing child care facilities.
 - 6) Nature and extent of security/guarantees.
 - 7) Credit history.
 - 8) Any proposed city/state sponsored incentives expected to be received for the proposed project.
 - 9) Nature and extent of equity participation by principal owner(s).
 - 10) Compatibility of façade projects and new construction in the Downtown Development Opportunity Overlay (DDOO) district with the historic character of downtown Bloomington. (Projects involving the demolition or removal of structures listed on the Local Historic register, or eligible for listing on the National Historic Register or that are contributing structures listed within a nationally or locally designated historic district will not be considered.)

- c. **Loan amount:** Applicants seeking loan funds under this section for qualified projects are eligible to borrow funds where the total project cost is a minimum of \$250,000. The maximum loan amount is \$100,000 or 20% of the total project cost, whichever is less.

4. Public purpose induced business relocation: Any qualified business that is required to relocate from its business location due to acquisition of the property by the City of Bloomington for a project serving a public purpose is eligible to submit a loan application for permissible projects as identified by the guidelines. “Relocate” as used in this subsection means that the business is required to move its primary business operations from the property.

- a. **Permissible uses of funds:** Loan proceeds may be applied to qualified capital improvement costs associated with a qualified project including land acquisition; construction, expansion, or renovation of buildings; purchase of eligible equipment; or infrastructure improvements.

- b. **Evaluation criteria:** Certain factors shall be considered when evaluating any eligible loan application under this section. These factors shall include, but are not limited to the following. The Common Council may waive one or more of these requirements if it finds that public policy so dictates.

- 1) Strength of business plan or business proposal.
- 2) Projected new jobs to be created as a result of the project.
- 3) Overall projected impact on the economic vitality of the community.
- 4) Use of funds to leverage other sources of capital including venture, conventional, and grant funds.
- 5) Nature and extent of security/guarantees.
- 6) Credit history.
- 7) Expected tax base increases or decreases as a result of the project.
- 8) Any proposed tax abatements or other city/state sponsored incentives expected to be received for the proposed project.
- 9) Nature and extent of equity participation by principal owner(s).
- 10) Projected public benefit of relocation.
- 11) Compatibility of façade projects and new construction in the Downtown Development Opportunity Overlay (DDOO) district with the historic character of downtown Bloomington. (Projects involving the demolition or removal of structures listed on the Local Historic register, or eligible for listing on the National Historic Register or that are contributing structures listed within a nationally or locally designated historic district will not be considered.)

- c. **Loan amount:** Applicants seeking loan funds under this section for qualified projects are eligible to borrow funds where the total project cost is a minimum of \$250,000. The maximum loan amount is \$100,000 or 20% of the total project cost, whichever is less. If public policy dictates, the maximum loan amount can be waived.

5. Business disruption bridge loan: A qualified business that suffers significant loss of sales and revenues in an area determined to be economically distressed

due to disruptions caused by a City of Bloomington public works project is eligible to submit a loan application for short-term operating capital costs. Businesses applying for loans under this section must have been in operation at their affected site for at least 12 months prior to the start of construction of the public works project. The Review Committee established under this section shall make the determination of the areas that are economically distressed due to City of Bloomington public works projects.

- a. **Permissible uses of funds:** Applicants receiving loans under this section shall use the proceeds in order to meet minimum operational expenses, including but not limited to rent or mortgage, utilities, payroll, or other unavoidable expenses necessary to maintain the business at a minimum operational level.
- b. **Loan Review Committee:** Applications received under this section shall be reviewed by a committee composed of the Director of Economic Development, the City Controller, the President of the Common Council, the Common Council member whose district includes the affected business, and the President of the Economic Development Commission, or their designees. The loan committee shall be chaired by the Director of Economic Development.
- c. **Review process:** The committee shall meet as often as is needed, but shall not meet less often than once per calendar year. Loans approved by the loan review committee established under this chapter do not require additional approvals from the Economic Development Commission or the Common Council. The Office of the Mayor will coordinate with the City's Legal Department the preparation of all necessary loan documents and a loan closing date.
- d. **Evaluation criteria:** The loan review committee established under this section shall establish criteria for the acceptance, review and approval of loans, which shall at a minimum include, but not be limited to, the following:
 - 1) Each business must demonstrate financial need for the loan in order to meet minimum operation expenses, including but not limited to rent or mortgage, utilities, payroll, or other unavoidable expenses necessary to maintaining the business at a minimum operational level.
 - 2) Each business shall provide proof of sales figures for the current time period in which the business has experienced economic distress due to the public works project, along with proof of sales figures for the same time period in the prior calendar year.
 - 3) Each business shall provide proof of similar expense levels required to generate the same level of sales in the current time period, compared to the sales levels for the same time period in the preceding calendar year.
 - 4) Each business shall provide a plan that describes how the business will use loan proceeds; forecasted expenses and revenues for the period beginning with the first day of the month in which the loan is granted through the last day of the month preceding the month in which the loan is granted of the following year; and a proposed repayment schedule

which shall provide for total repayment of the loan no later than one (1) year from the date on which the loan closing occurs.

e. Loan amounts and terms: Loans approved under this section shall be made with the following limitations and terms:

- 1) Subject to the availability of funds, a maximum of \$150,000 in loans may be made under this section.
- 2) A loan made under this section shall be limited to \$35,000 for each qualified applicant.
- 3) No interest shall be charged or accrue on loans before the date the public works project ceases causing significant disruption to the business. This date shall be determined by the loan review committee, in conjunction with the city department performing the project. Thereafter, interest on each loan shall accrue on a monthly basis at an annual rate of two percent of the unpaid balance of the loan on the last day of each month.
- 4) The loan review committee may submit claims for loans from the fund according to the City Controller's standard claim schedule or it may request from the City Controller's office a special warrant for expedited release of moneys from the fund if it determines that the business receiving the loan has demonstrated a reasonable need for the loan proceeds before the date a check would be released pursuant to the standard claim schedule.

III. ADDITIONAL TERMS AND CONDITIONS

- A. Term:** The maximum term is five years, unless the loan is a business disruption bridge loan made under Section II. B. 5.
- B. Rate:** Except for business disruption bridge loans made under Section II. B. 5, the interest rate will be the highest interest rate currently available for other city fund investments at time of application. The interest rate assigned is good for a period of ninety days from date of application.
- C. Payments:** Except for business disruption bridge loans with a different approved payment schedule, principal and interest payments are to be made monthly. All payments are due on the first day of each month. Payments received after the tenth of the month will be assessed a 5% late fee. Loan payments are to be mailed to:
- City of Bloomington
Controller's Office
P.O. Box 100
Bloomington, IN 47402
- D. Non-relocation Clause:** Unless specifically approved by the City Council, the borrower may not relocate the funded business activity or a significant part of the business activity. Failure to comply with this section is grounds for default.
- E. Default:** The loan may be declared in default and become due and payable within 30 days of written notice to the borrower for any of the following reasons:

1. Failure of borrower to disclose any and all facts pertinent to the loan approval or any misrepresentation of information.
2. Failure of borrower to make timely payments.
3. Failure of borrower to use loan funds as described in the loan application.
4. Failure of borrower to maintain mortgaged property, keep it insured and/or pay property taxes on it.
5. Failure to obtain approval for relocation of business.
6. Failure to comply with any material terms of the loan documents, including but not limited to, the loan agreement, mortgage, financing statement, and personal guaranty.
7. Failure to comply with voluntary annexation agreement or waiver of remonstrance agreement.

IV. APPLICATION PROCEDURE

- A. The following application procedures apply to all loans except the business disruption bridge loan under Section II.B.5. The applicant will contact the Office of the Mayor for a pre-application meeting. At that meeting, the applicant will receive instruction for submitting a complete application for consideration. Except for those businesses applying under Section II. B. 5, upon completion, the applicant will submit the application, along with a \$100.00 processing fee, to the Office of the Mayor for review. If the application is determined to be complete and eligible, the Office of the Mayor will initiate the formal approval process.
- B. If the application is submitted for formal approval, the Director of Economic Development shall schedule a meeting of the Economic Development Commission. At this public meeting the applicant will have an opportunity to present his/her proposal. The Economic Development Commission shall review the application based on the guidelines and either approve or deny.
- C. If a loan is approved as is by the Economic Development Commission, it will be forwarded to the City Council in the form of a resolution for the Council's approval or denial.
- D. If a loan is approved by the City Council, the borrower will sign all necessary loan documents for the loan. The borrower is responsible for securing all necessary lien documents, insurance documentation and title insurance policies as necessary. The Office of the Mayor will coordinate with the City's Legal Department the preparation of all necessary loan documents and a loan closing date.

V. SECURITY

- A. Acceptable collateral includes a mortgage against real estate with at least 20% equity remaining after total project financing is secured, a lien against the cash value of life insurance, a lien against a Certificate of Deposit Account, a lien against qualified equipment, and/or any other acceptable and approved form of security.
- B. Loans will be secured to the extent that such security is feasible and does not impair the ability of the borrower to conduct its activities and may be subordinated to other financing, to and including a subordinated position on personal guarantees, as long as the city's loan is adequately secured.

VI. RELEASE OF FUNDS

- A. Once City Council approval is granted the applicant must secure all supplemental loans, securities, and other conditional documentation or action within 90 days. Failure to comply with any terms, conditions, or other requirements within this time period may result in nullification of the approved loan.
- B. All documentation must be on file with the Office of the Mayor and approved by the City of Bloomington's Legal Department prior to any release of funds.
- C. Loan funds may be disbursed in full at time of closing or in two disbursements within the first year following approval. Lien documents for the total loan amount will be signed for each disbursement.
- D. Claims for the payment of business disruption loan proceeds do not need approval of the Board of Public Works prior to disbursement.